



GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

September 6, 2011

CERTIFIED RETURN RECEIPT
7004 1160 0003 0191 9332

Mark Lopez
Unico, Inc.
P. O. Box 503228
San Diego, California 92150

Subject: Evaluation of Reclamation Surety, Unico, Inc., Deer Trail Mine, M/031/0003, Piute County, Utah

Dear Mr. Madsen:

The reclamation surety for the Deer Trail mine is due for adjustment. The Division of Oil, Gas and Mining may adjust the amount of reclamation surety as the result of a periodic review taking into account inflation/deflation based on an acceptable cost index (R647-4-113.6).

The Division used the previous reclamation cost estimates, adjusted them to 2011 dollars using actual inflation/deflation figures, then escalated those figures five years into the future using average costs for the last five years (1.7 percent; see the attached spreadsheet). The total amount now required is \$256,900.00.

The Division currently holds two certificates of deposit for the reclamation surety. The principle amounts are \$22,500.00 and \$136,100.00 for a total of \$158,600.00. An additional certificate of deposit in the amount of \$84,000.00 was established but never funded.

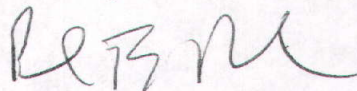
Please submit the additional surety of \$98,300.00 no later than October 31, 2011. It may be furnished in the form of a certificate of deposit, cash, a letter of credit, or a surety bond. Failure to submit the surety by this date may result in enforcement action (notice of violation or cessation order) and associated fine.

On September 21, 2007, the Division approved construction of the mill building **conditional on receipt of an increased surety and two copies of the complete plan.** Neither of these conditions has been met.

Page 2 of 2
Mark Lopex
M/031/0003
September 6, 2011

Thank you for your cooperation. Please call me at 801-538-5261 or e mail me at paulbaker@utah.gov if you have questions about this letter.

Sincerely,

A handwritten signature in dark ink, appearing to read 'PBB' followed by a stylized flourish.

Paul B. Baker
Mining Program Manager

PBB:pnb:pb

cc: U. S. Forest Service, Beaver Ranger District, P.O. Box E, Beaver, Utah 84713
P:\GROUPS\MINERALS\WP\M031-Piute\M0310003-Unico\final\escalate-10052010.doc

Deer Trail
Surety Escalation
Disturbances other than the mill

M/031/0003

August 31, 2011

	Percentage increase/year	Surety amount in <year> dollars	
2001	4.21%	1.0421	
2002	2.02%	1.0202	\$0.00
2003	1.71%	1.0171	\$0.00
2004	0.84%	1.0084	\$0.00
2005	3.99%	1.0399	\$139,338.00
2006	5.44%	1.0544	\$144,897.59
2007	2.12%	1.0212	\$152,780.01
2008	-3.40%	0.966	\$156,018.95
2009	2.90%	1.029	\$150,714.31
2010	1.80%	1.018	\$155,085.02
2011			\$157,876.55
2016		1.017	\$171,760.14
Rounded to nearest \$100			\$171,800.00

Note: The surety amount is listed in the row of the year in which it was calculated.
The escalation factor for a year is applied to the surety amount to take it to the next year.

Mill Building
Surety Escalation

	Percentage increase/year	Surety amount in <year> dollars	
2001	4.21%	1.0421	
2002	2.02%	1.0202	\$0.00
2003	1.71%	1.0171	\$0.00
2004	0.84%	1.0084	\$0.00
2005	3.99%	1.0399	\$0.00
2006	5.44%	1.0544	\$0.00
2007	2.12%	1.0212	\$75,708.00
2008	-3.40%	0.966	\$77,313.01
2009	2.90%	1.029	\$74,684.37
2010	1.80%	1.018	\$76,850.21
2011			\$78,233.52
2016		1.017	\$85,113.34
Rounded to nearest \$100			\$85,100.00

Total \$256,900.00